

Message Text

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43

ACTION COME-00

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 421

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E.O. 11652: NA

TAGS: BEXP, EG

SUBJECT: NAJ HAMMADI ALUMINUM COMPLEX

REF: (A) STATE 33542 (B) 75 CAIRO 9360 (C) 74 CAIRO 9295

(D) 75 CAIRO A-64

1. EMBASSY ALSO UNAWARE OF ANY EGYPTIAN REQUEST FOR U.S. PARTICIPATION IN NAJ HAMMADI ALUMINUM COMPLEX MADE DURING PARSKY VISIT.

2. FOLLOWING RECEIPT REF A, EMBOFF VISITED DR. YOUSSEF ISMAIL, CHAIRMAN OF THE EGYPTIAN ALUMINUM SMELTER (ACTUAL NAME OF SUBJECT COMPLEX) TO DISCUSS POINTS CONTAINED REFTEL. ISMAIL STATED THAT MININD HAD RECEIVED LETTER FROM REYNOLDS ALUMINUM DENIGRATING PROCESS AND EQUIPMENT BEING USED AT NAJ HAMMADI AND OFFERING TO ASSIST IN EXPANSION AND MODERNIZATION PROJECT. IT WAS READILY APPARENT THAT NEITHER CONTENT NOR TONE OF REYNOLDS' LETTER WAS APPRECIATED BY EGYPTAINS. ISMAIL WENT ON TO STATE THAT, DESPITE REYNOLDS' CRITICISMS, EGYPTIANS ARE SATISFIED WITH EXISTING PLANT AND THAT AGREEMENT WAS SIGNED WITH SOVIETS ON MAY 6, 1975, TO EXPAND FACILITY FROM PRESENT CAPACITY OF 100,000 TONS PER YEAR TO 166,000 TONS PER YEAR BY 1980. ALTHOUGH HE DECLINED TO REVEAL COST OR FINANCING ARRANGEMENTS OF EXPANSION PROJECT, ISMAIL DID STATE THAT SOVIET SHARE OF ORIGINAL PROJECT (ESTIMATED AT LE 50 MILLION, REF C). WAS TO BE REPAID IN 12 ANNUAL INSTALLMENTS AT 2 PERCENT INTEREST BEGINNING WITH START OF PRODUCTION.

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3. ALTHOUGH QUITE FORTHCOMING IN MOST AREAS, ISMAIL WOULD NOT DISCLOSE PRESENT PRODUCTION LEVEL OTHER THAN TO SAY THAT PLANT WAS NOT YET RUNNING AT FULL CAPACITY. THIS HE ATTRIBUTED PARTIALLY TO LENGTHY START-UP TIME REQUIRED BY PROCESS AND PARTIALLY TO RESTRICTIONS ON AVAILABILITY OF ELECTRIC POWER (REF C). PLANT BEGAN INITIAL TRIAL PRODUCTION RUNS OCTOBER 1975, OVER ONE YEAR BEHIND SCHEDULE (REF B). ACCORDING TO ISMAIL. 4,000 TONS OF FINISHED ALUMINUM VALUED AT US \$2.5 MILLION HAVE JUST BEEN SOLD TO BRITISH BUYER. PRODUCT IS EARLY RUN FROM RECENTLY STATED UNITS AND IS LESS THAN 99.5 PERCENT PURE COMMERCIAL GRADE, THUS EXPLAINING LOW PRICE. ISMAIL ESTIMATES EGYPT'S PRESENT CONSUMPTION REQUIREMENTS AT 25-30,000 TONS ANNUALLY. 10,000 TONS SHOULD BE AVAILABLE FOR CASH EXPORT SALES IN 1976 AFTER TRANSFER OF UNSPECIFIED QUANTITIES OF FINISHED STOCK TO ALUSUISSE IN PAYMENT FOR ALUMINA (REF C). THIS IS EXPECTED TO INCREASE TO 20,000 TONS BY 1978 AS PRODUCTION REACHES DESIGN CAPACITY.

4. EMBASSY AT LOSS TO EXPLAIN STATEMENT PARA 2, REF A THAT LATEST INFO IN WASHINGTON DATED FEBRUARY 1975, AS REF B AND REF D BOTH SENT SINCE THAT TIME. WE REGRET DELAY IN RESPONSE TO REF A, BUT ISMAIL WAS AT NAJ HAMMADI (555 KMS FROM CAIRO) AND HE IS ONLY AUTHORITATIVE SPOKESMAN ON SUBJECT.
EILTS

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